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WTO FINDS EU BANANA REGIME HURTS U.S. TRADE

The United States welcomed today's World Trade Organization (WTO) decision affirming the U.S. position in the long-running dispute over the European Union's (EU) banana regime. The WTO arbitrators found that the WTO-inconsistent regime has caused \$191.4 million in lost U.S. exports of goods and services on an annual basis.

"We are pleased that the WTO arbitrators concur with our position that the EU banana regime is WTO-inconsistent and continues to damage the U.S. economy. This decision is an important victory for the WTO dispute settlement process and sends a clear message that the WTO cannot be used to engage in endless litigation," said Ambassador Barshefsky. "This is the fifth time in six years that an international trade panel has found the EU's banana policies to be in violation of international trade rules. The EU's deliberate refusal to comply with WTO rulings leaves us no choice but to exercise our right to suspend concessions."

As a result of the arbitrators' decision and the EU's ongoing failure to implement a WTO-consistent banana regime, the United States will exercise its WTO right to suspend tariff concessions on a list of selected European products equivalent in value to the loss in U.S. exports caused by the EU's banana regime, as determined by the arbitrators. The final list of products to be subject to the increased duties and details regarding the suspension of tariff concessions and the imposition increased duties will be published in the *Federal Register* within the next few days.

"We sincerely hope that this WTO ruling will finally convince the EU to adopt a WTO-consistent banana regime immediately, which continues to be our preference," continued Ambassador Barshefsky. "The EU now has yet another opportunity to demonstrate that it is willing to respect the rules of world trade and thereby bolster confidence in the WTO as a forum for redressing trade barriers. If the EU does not seize this opportunity, its commitment to the multilateral trading system must be seriously questioned."

"As before, we are prepared to work with the EU on a new banana regime that meets the

requirements of the WTO and allows banana producing countries in the Caribbean to continue to export bananas, stressed Ambassador Barshesfky.” However, it is up to the EU to decide whether it is willing to finally meet its WTO obligations.”

Background

The U.S. action to suspend concessions follows a period of over six years during which the United States worked to convince the EU to comply with the rules of the GATT and WTO. Between 1993 and 1998, the EU banana regime was deemed to be inconsistent with the rules of the international trading system by GATT and WTO panels, and by the WTO Appellate Body. The EU responded by making cosmetic changes to the banana regime that only perpetuated its WTO-inconsistent aspects and discrimination against U.S. companies and Latin American countries.

The WTO deadline for the EU to adopt a WTO-consistent banana regime was January 1, 1999. In light of the EU’s failure to implement the WTO rulings by this deadline, the United States requested authorization from the WTO to increase duties on selected European products. At that time, the EU exercised its rights under WTO procedure to request arbitration on the value of the trade to be affected by the increase in duties.

The WTO-mandated deadline for the completion of the arbitration proceedings was March 2. The arbitrators issued an “initial decision” on March 2, but requested that each party submit additional information by March 15 and indicated that they would issue a final decision soon after receiving these responses.

On March 3, 1999, USTR announced that the U.S. Customs Service would begin withholding liquidation and reviewing the sufficiency of bonds on imports of selected European products. The purpose of this announcement was to ensure that, on the date of the arbitrator’s final decision, the U.S. would be in the same position to take action as it would have been had the arbitrators issued their decision by the March 2 deadline.